

CITY OF KEENE, NEW HAMPSHIRE

Independent Auditors' Reports Pursuant
to Government Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2018

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Mayor and City Council
City of Keene, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keene, New Hampshire, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely

basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath

January 9, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Mayor and City Council
City of Keene, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the City of Keene, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal

Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Keene, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keene, New Hampshire as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 9, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

January 9, 2019

CITY OF KEENE, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

| <u>Federal Agency</u> | Federal CFDA Number | Pass Through Identifying Number | Federal Expenditures | Passed Through to Subrecipient |
|---|---------------------------|---------------------------------------|-------------------------|--------------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Cluster | | | | |
| Pass-through Agency | | | | |
| Program Title | | | | |
| Passed Through the New Hampshire Community Development Finance Authority | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 16-038-CDPF | \$ 442,688 | \$ 430,000 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 16-038-FSPF | 11,000 | 10,000 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 16-038-CDED | 7,186 | - |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 17-038-CDPF | <u>257,219</u> | <u>242,510</u> |
| Total U.S. Department of Housing and Urban Development | | | 718,093 | 682,510 |
| <u>U.S. Department of Interior</u> | | | | |
| Passed Through the New Hampshire Division of Historic Resources | | | | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | CLG-P17AS00072-04 | <u>3,605</u> | - |
| Total U.S. Department of Interior | | | 3,605 | - |
| <u>U.S. Department of Justice</u> | | | | |
| Direct Federal Program | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 3,349 | - |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 143 | - |
| Equitable Sharing Program | 16.922 | N/A | 6,862 | - |
| Passed Through Cheshire County, New Hampshire | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2016-DJ-BX-0680 | 1,506 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2017-DJ-BX-0101 | <u>5,433</u> | - |
| Total U.S. Department of Justice | | | 17,293 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| Highway Planning and Construction Cluster | | | | |
| Passed Through the New Hampshire Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | X-A003 (776,777) | 17,791 | - |
| Highway Planning and Construction | 20.205 | X-A004 (498) | 1,688 | - |
| Highway Planning and Construction | 20.205 | X-A004 (408) | 19,552 | - |
| Highway Planning and Construction | 20.205 | STP-0111 (007) | <u>(990)</u> | - |
| Total Highway Planning and Construction Cluster | | | 38,041 | - |
| Highway Safety Cluster | | | | |
| Passed Through the New Hampshire Highway Agency | | | | |
| State and Community Highway Safety | 20.600 | 18X9204020NH16 | 5,892 | - |
| State and Community Highway Safety | 20.600 | 18X9204020NH17 | 10,374 | - |
| State and Community Highway Safety | 20.600 | 18X9204020NH16 | 6,836 | - |
| National Priority Safety Programs | 20.616 | 18X920405DNH14 | 5,416 | - |
| National Priority Safety Programs | 20.616 | 18X920405DNH16 | 6,610 | - |
| National Priority Safety Programs | 20.616 | 69A3751830000405HNHO | 633 | - |
| National Priority Safety Programs | 20.616 | 18X920405CNH15 | <u>6,944</u> | - |
| Total Highway Safety Cluster | | | 42,705 | - |
| Passed Through New Hampshire Department of Transportation | | | | |
| Airport Improvement Program | 20.106 | SBG-08-16-2017 | 557,481 | - |
| Airport Improvement Program | 20.106 | SBG-08-17-2018 | <u>77,836</u> | - |
| Total U.S. Department of Transportation | | | 716,063 | - |
| <u>Environmental Protection Agency</u> | | | | |
| Direct Federal Program | | | | |
| Climate Showcase Communities Grant Program | 66.041 | N/A | 450,285 | - |
| Passed Through New Hampshire Department of Environmental Services | | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CS330001-15 | 84,829 | - |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CS330001-16 | <u>2,183,516</u> | - |
| Total Environmental Protection Agency | | | 2,718,630 | - |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Direct Federal Program | | | | |
| Assistance to Firefighters Grant | 97.044 | N/A | 23,365 | - |
| Passed Through the City of Beverly, Massachusetts | | | | |
| National Urban Search and Rescue Response System | 97.025 | EMW-2013-CA-USR-0014 | 16,018 | - |
| Passed Through New Hampshire Office of Emergency Management and Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | EMW-2015-SS-00040-S01 | 4,463 | - |
| Homeland Security Grant Program | 97.067 | EMW-2016-SS-00053-S01 | 3,337 | - |
| Homeland Security Grant Program | 97.067 | EMW-2017-SS-0023-S01 | <u>21,652</u> | - |
| Total U.S. Department of Homeland Security | | | 68,835 | - |
| Total Federal Expenditures | | | <u>\$ 4,242,519</u> | <u>\$ 682,510</u> |

The accompanying notes are an integral part of this schedule.

CITY OF KEENE, NEW HAMPSHIRE

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

- Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF KEENE, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs:

Capitalization Grants for Clean Water State Revolving Funds Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.